

NATIONAL CASA ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National CASA Association
Seattle, Washington

We have audited the accompanying financial statements of National CASA Association, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National CASA Association as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Petersen Sullivan LLP

March 12, 2018

NATIONAL CASA ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 2,814,226	\$ 2,560,469
Investments	330,395	289,254
Receivable from Department of Justice	296,060	127,486
Contributions receivable - current portion	146,713	123,324
Deposited and prepaid expenses	<u>101,734</u>	<u>76,426</u>
Total current assets	3,689,128	3,176,959
Contributions Receivable, net of current portion and discount	169,820	163,776
Contributions Receivable Restricted for the Endowment, net of discount	213,510	270,756
Endowment Cash and Investments	<u>147,503</u>	<u>65,000</u>
Total assets	<u><u>\$ 4,219,961</u></u>	<u><u>\$ 3,676,491</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 100,979	\$ 147,214
Accrued wages and benefits	139,768	100,999
Deferred conference revenue	<u>134,968</u>	<u>119,780</u>
Total current liabilities	375,715	367,993
Net Assets		
Unrestricted	1,652,928	1,499,323
Temporarily restricted	1,842,808	1,467,488
Permanently restricted	<u>348,510</u>	<u>341,687</u>
Total net assets	<u>3,844,246</u>	<u>3,308,498</u>
Total liabilities and net assets	<u><u>\$ 4,219,961</u></u>	<u><u>\$ 3,676,491</u></u>

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Department of Justice cooperative agreements	\$ 8,080,264	\$ -	\$ -	\$ 8,080,264	\$ 4,635,446	\$ -	\$ -	\$ 4,635,446
Department of Justice grant	2,467,310			2,467,310	2,149,419			2,149,419
Conference fees	587,400			587,400	441,507			441,507
Membership dues	246,284			246,284	232,732			232,732
Corporate and foundation contributions	98,890	1,278,503	6,823	1,384,216	238,511	1,124,348		1,362,859
Individual contributions	646,044			646,044	572,803			572,803
Interest and investment income	49,964	12,503		62,467	22,567			22,567
In-kind contributions	59,803			59,803				
Net assets released from restrictions	915,686	(915,686)			863,143	(863,143)		
Total support and revenue	13,151,645	375,320	6,823	13,533,788	9,156,128	261,205		9,417,333
Expenses								
Training and technical assistance	3,564,397			3,564,397	2,026,750			2,026,750
Member and public outreach	1,433,688			1,433,688	1,440,702			1,440,702
Grant activities	5,676,860			5,676,860	3,917,683			3,917,683
Total program services	10,674,945			10,674,945	7,385,135			7,385,135
General and administrative	2,114,644			2,114,644	1,384,062			1,384,062
Fundraising	208,451			208,451	256,725			256,725
Total supporting services	2,323,095			2,323,095	1,640,787			1,640,787
Total expenses	12,998,040			12,998,040	9,025,922			9,025,922
Change in net assets	153,605	375,320	6,823	535,748	130,206	261,205		391,411
Net Assets, beginning of year	1,499,323	1,467,488	341,687	3,308,498	1,369,117	1,206,283	341,687	2,917,087
Net Assets, end of year	\$ 1,652,928	\$ 1,842,808	\$ 348,510	\$ 3,844,246	\$ 1,499,323	\$ 1,467,488	\$ 341,687	\$ 3,308,498

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Grantee disbursements	\$ -	\$ -	\$ 5,298,619	\$ 5,298,619	\$ -	\$ -	\$ -	\$ 5,298,619
Personnel and payroll taxes	2,317,654	999,060	267,043	3,583,757	991,391	86,061	1,077,452	4,661,209
Contract services	498,823	187,912	50,830	737,565	226,194	26,071	252,265	989,830
Travel and subsistence	497,122	26,598	22,450	546,170	115,342	4,133	119,475	665,645
Office supplies and postage	53,939	21,870	368	76,177	273,763	31,202	304,965	381,142
Program promotion and other	94,219	115,055		209,274	117,997	33,190	151,187	360,461
Rent	57,920	55,851	29,480	143,251	168,680	27,234	195,914	339,165
Professional fees					113,214		113,214	113,214
Telephone and toll-free number	40,137	6,358	8,070	54,565	35,318	480	35,798	90,363
In-kind contributions					59,803		59,803	59,803
Printing	4,583	20,984		25,567	6	80	86	25,653
Insurance					12,936		12,936	12,936
Total expenses	\$ 3,564,397	\$ 1,433,688	\$ 5,676,860	\$ 10,674,945	\$ 2,114,644	\$ 208,451	\$ 2,323,095	\$ 12,998,040

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Grantee disbursements	\$ -	\$ -	\$ 3,681,542	\$ 3,681,542	\$ -	\$ -	\$ -	\$ 3,681,542
Personnel and payroll taxes	1,451,184	668,086	181,229	2,300,499	569,383	65,824	635,207	2,935,706
Contract services	231,994	217,509	10,000	459,503	335,132	111,023	446,155	905,658
Travel and subsistence	99,895	291,590	25,734	417,219	78,257	3,740	81,997	499,216
Office supplies and postage	61,877	14,126	6	76,009	30,917	23,362	54,279	130,288
Program promotion and other	76,566	174,295		250,861	118,286	4,434	122,720	373,581
Rent	54,402	52,459	13,600	120,461	158,555	34,973	193,528	313,989
Professional fees					62,330	11,449	73,779	73,779
Telephone and toll-free number	47,980	6,569	5,572	60,121	17,475		17,475	77,596
Printing	2,852	16,068		18,920	349	1,920	2,269	21,189
Insurance					13,378		13,378	13,378
Total expenses	\$ 2,026,750	\$ 1,440,702	\$ 3,917,683	\$ 7,385,135	\$ 1,384,062	\$ 256,725	\$ 1,640,787	\$ 9,025,922

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from grants and contributions	\$ 12,367,073	\$ 9,076,962
Cash received from membership dues and conferences	848,872	794,019
Investment income received	16,908	10,585
Cash paid to suppliers	(3,049,951)	(2,349,506)
Cash paid to employees and related payroll taxes	(4,622,441)	(2,869,253)
Grants paid	(5,298,619)	(3,681,542)
	261,842	981,265
Net cash flows from operating activities	261,842	981,265
Cash Flows from Investing Activities		
Proceeds from sales of investments	4,418	
Purchases of investments (and dividends reinvested)		(5,916)
	4,418	(5,916)
Net cash flows from investing activities	4,418	(5,916)
Cash Flows from Financing Activities		
Cash receipts on endowment contributions	70,000	65,000
Change in cash and dividends reinvested restricted for endowment	(82,503)	(65,000)
	(12,503)	
Net cash flows from financing activities	(12,503)	
Net change in cash	253,757	975,349
Cash Balance, beginning of year	2,560,469	1,585,120
Cash Balance, end of year	\$ 2,814,226	\$ 2,560,469
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in net assets	\$ 535,748	\$ 391,411
Contributions receivable restricted for the endowment	(12,754)	5,931
Realized/unrealized gain on investments	(45,559)	(11,982)
Changes in operating assets and liabilities		
Receivables	(198,007)	350,504
Prepaid expenses	(25,308)	(8,863)
Accounts payable and accrued wages and benefits	(7,466)	134,484
Deferred conference revenue	15,188	119,780
	(198,007)	350,504
Net cash flows from operating activities	\$ 261,842	\$ 981,265

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

National CASA Association ("National CASA") is a nonprofit membership organization whose member programs are charged with advocating for the best interest of abused or neglected children in juvenile dependency court. National CASA supports its member organizations in the development, growth, and continuation of programs that recruit and train volunteers to serve as Court Appointed Special Advocates ("CASA"). CASA volunteers (sometimes called Guardians Ad Litem or GAL volunteers) are appointed by judges to be the independent eyes and ears of the court, watching over and advocating for a child until the child is placed in a safe, permanent home.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Income Taxes

National CASA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

National CASA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for a particular purpose or time periods. Temporarily restricted net assets are presented as restricted income and are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose or as the time restrictions expire. Temporarily restricted net assets listed by funding source consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Jewelers for Children (Restricted to pass-through grants to CASA programs)	\$ 542,424	\$ 656,800
Kappa Alpha Theta Foundation (Restricted for performance measurement)	489,891	299,348
Toy Industry Foundation (Restricted for advocate training and education, public awareness and collaborative partnerships, and community investments)	241,899	200,000
Fidelity Charitable Fund (Restricted for volunteer retention project)	235,000	
Barbara Copper Fund (Restricted for internship program for foster youth)	100,000	
Akerman Fund (Restricted for local program support and sponsored events)	139,245	184,101
Akerman Fund (Time restricted for general use)	38,164	38,164
Nunn Scholarship (Restricted for scholarship program)	24,600	
Akerman Fund (Restricted for sponsored events)	19,082	19,082
Akerman Fund (Endowment earnings)	12,503	
Hearst Foundation (Restricted for training initiatives)		29,796
Michael Piraino Legacy Fund (Restricted for CEO transition costs)		34,646
Parks Foundation Fund (Restricted for CEO transition costs)		5,551
Total	<u>\$ 1,842,808</u>	<u>\$ 1,467,488</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of the Akerman Scholarship Fund. The balance is expected to be received over the next three years and is included with contributions receivable in Note 2 and endowment net assets in Note 5.

Cash

Cash includes cash in banks and money market funds (except cash accounts classified as investments). National CASA has amounts deposited with a financial institution in excess of federally insured limits. These amounts are used to fund regular operations.

Investments

Investments are measured at fair value, and the change in value is included in the change in net assets. Fair value is defined as an exit price, representing the amount that would be received to sell an asset in an orderly transaction between market participants. The fair value measurement of the investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets for identical assets. Investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Cash	\$ 2,532	\$ 65,000
Mutual funds		
Large-cap growth	74,770	53,405
Large-cap blend	66,201	52,825
Foreign large-cap blend	47,062	25,093
World bond	27,113	24,134
Large-cap value	12,092	
World allocation	11,603	10,100
High yield bond	13,141	8,206
Intermediate bond	9,909	
Mid-cap growth	7,705	
Exchange-traded funds		
Intermediate bond	87,279	57,058
Mid-cap value	41,006	29,971
Small-cap value	25,999	18,959
Foreign large-cap blend	16,340	
Diversified emerging markets	12,226	9,503
Large-cap blend	12,220	
Small-cap blend	10,700	
	<u>\$ 477,898</u>	<u>\$ 354,254</u>

Investments are included in the statements of financial position as follows at December 31:

	<u>2017</u>	<u>2016</u>
Investments	\$ 330,395	\$ 289,254
Endowment cash and investments	147,503	65,000
	<u>\$ 477,898</u>	<u>\$ 354,254</u>

Interest and investment income is composed of the following at December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 16,908	\$ 10,585
Realized/unrealized gain on investments	45,559	11,982
	<u>\$ 62,467</u>	<u>\$ 22,567</u>

Receivables/Revenue

The receivable from the United States Department of Justice consists of funds that have been earned, but not yet received.

Grant revenues are recognized when expenditures related to the grants are made. Contributions are recognized when the pledge is made. Amounts due from one foundation represented 79% and 95% of the contributions receivable balance at December 31, 2017 and 2016, respectively. Of the total corporate and foundation contributions, 84% were from four foundations in 2017, and 82% were from three foundations in 2016.

Conference fees are recognized when the related conference takes place. Conference fees received prior to the conference taking place are considered deferred conference fees. Membership dues are recognized in the year in which they are invoiced.

In-Kind Contributions

Donations of services, supplies, and facilities are recorded as revenue at the estimated fair value at the date of donation. During 2017, in-kind revenue consisted of pro bono legal work. There were no in-kind contributions in 2016.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

National CASA has evaluated subsequent events through the date these financial statements were available to be issued, which was March 12, 2018.

Note 2. Contributions Receivable

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured at present value of the future cash flows. The discounts (if any) on those amounts are computed using a donor-specific discount rate of 3% in 2017 (based on the creditworthiness of the donors and history of collections) and an estimated allowance for doubtful accounts. Amortization of the discount is included in gifts and contributions revenue in the statements of activities. Management determined no allowance for doubtful accounts was necessary at December 31, 2017 or 2016.

Contributions are summarized as follows at December 31:

	2017	2016
Amounts due in:		
Less than one year	\$ 216,713	\$ 260,292
One to five years, net of present value discount of \$14,169 and \$29,772 for 2017 and 2016, respectively	313,330	297,564
	530,043	557,856
Less: long-term portion	169,820	163,776
Less: contributions receivable restricted for endowment	213,510	270,756
Current portion - contributions receivable	\$ 146,713	\$ 123,324

Note 3. Lease Commitments

National CASA leases office space under two operating leases, which expire through January 31, 2021. Rent expense for 2017 and 2016 was \$339,165 and \$313,988, respectively.

Future minimum rental payments are as follows for the years ending December 31:

2018	\$ 300,721
2019	244,537
2020	188,352
2021	15,696
	\$ 749,306

Note 4. Grant Commitments

National CASA has committed to distribute approximately \$1,249,000 to state CASA organizations between October 1, 2017, and September 30, 2018. National CASA distributed a total of \$177,300 through December 31, 2017. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

National CASA has committed to distribute approximately \$683,000 to local CASA organizations between January 1, 2018, and December 31, 2018. National CASA has not yet disbursed any funds as of December 31, 2017. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

National CASA has committed to distribute approximately \$425,500 to local CASA organizations between January 1, 2018, and December 31, 2018. National CASA has not yet disbursed any funds as of December 31, 2017. Funding for this program is received from the Jewelers for Children for pass-through grants.

National CASA has committed to distribute approximately \$4,050,000 to local and state CASA organizations between July 1, 2016, and June 30, 2018. National CASA distributed a total of \$3,068,117 as of December 31, 2017. Funding for this program is received from the United States Department of Justice (Grant) for mentoring pass-through grants.

All commitments listed above are contingent on National CASA receiving appropriate funding.

Note 5. Endowments

National CASA's endowment consists of one donor-restricted fund established to fund scholarships for foster children. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of National CASA has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, National CASA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by National CASA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, National CASA considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of National CASA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of National CASA

Endowment assets at December 31, 2017 and 2016, consisted of \$147,503 and \$65,000 in donor-restricted endowment funds, respectively. The remaining balance of pledged but uncollected funds classified as permanently restricted net assets is expected to be collected over the next three years and amounted to \$213,510 at December 31, 2017, and \$270,756 at December 31, 2016.

Endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowments at December 31, 2017	<u>\$ -</u>	<u>\$ 12,503</u>	<u>\$ 135,000</u>	<u>\$ 147,503</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowments at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ -	\$ -	\$ -	\$ -
Cash received on contributions and pledges			65,000	65,000
Endowment net assets, December 31, 2016			65,000	65,000
Cash received on contributions and pledges			70,000	70,000
Investment income		12,503		12,503
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 12,503</u>	<u>\$ 135,000</u>	<u>\$ 147,503</u>

Return Objectives and Risk Parameters

National CASA has adopted investment and spending policies for endowment assets that are long-term in nature with an investment horizon of at least 7 to 10 years (once the endowment is fully funded). The long-term objective is to earn a total rate of return that will exceed the demands placed on the portfolio to support National CASA's goals. Endowment assets include those assets of donor-restricted funds that National CASA must hold in perpetuity. Over a three- to five-year period, endowment investments are expected to achieve a total rate of return that compares favorably to specified benchmarks. National CASA expects its endowment funds to provide a rate of return of at least the U.S. Consumer Price Index plus 1% each year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, National CASA will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). National CASA will target an asset allocation that places a greater emphasis on equity investments, both domestic and international, as well as fixed income and cash equivalents.

Spending Policy and How the Investment Objectives Relate to Spending Policy

National CASA has a policy of appropriating for distribution each year 5% of the previous year's ending balance in the portfolio (once the endowment is fully funded). In establishing this policy, National CASA considered the long-term expected return on its endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires National CASA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2017 or 2016.